

CITY OF SEDRO-WOOLLEY
Skagit County, Washington
January 1, 1993 Through December 31, 1993

Schedule Of Findings

1. Segregation Of Duties Between Billing, Cash Receipts, And Accounts Receivable Needs To Be Implemented

Our review of the internal controls over the billing, cash receipting, and accounts receivable systems noted a lack of segregation of duties. The billing and accounts receivable clerk is responsible for collecting receipts when the person primarily responsible for collecting receipts is unable to attend to the cash register. Our review also noted that write-offs did not consistently have supporting documentation or review by another person. Although the administration staff is very small, they do have the ability to accommodate the desired segregation of duties.

The AICPA's *Professional Standards*, Volume A, in Section 320.37 states:

Incompatible functions for accounting control purposes are those that place any person in a position to both perpetrate and conceal errors or irregularities in the normal course of their duties.

The *Budgeting, Accounting, and Reporting System (BARS)* manual, Part 3, Chapter 1, page 17 under the Specific Standards No. 4 states:

Separation of Duties. Key duties and responsibilities in authorizing, processing, recording, and reviewing transactions should be separated among individuals.

By not implementing proper segregation of duties, no assurance can be given that all revenues due the city have been properly receipted and recorded. Error or irregularities could occur and not be discovered in a timely manner, if at all.

Management did not appear to understand the importance of proper segregation of duties.

We recommend the clerk be removed from all access to cash receipts. We also recommend all write-offs have supporting documentation and the city council regularly review and approve them.